

DUN'S BUSINESS MONTH

April 1985 \$3.00

How
Executives
Get on Boards



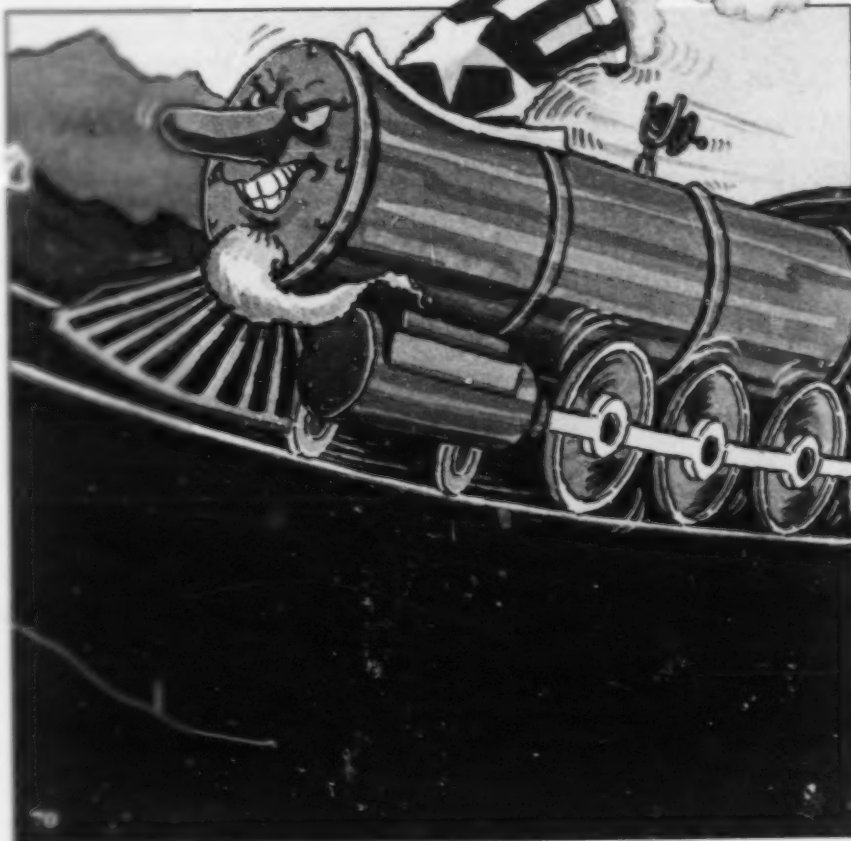
U.S. Retreats From Free Trade

Presidents' Panel:
CEOs Talk About Takeovers

Payoff from Old Brand Names
The Business News of the Month

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Falloff in Business Failures

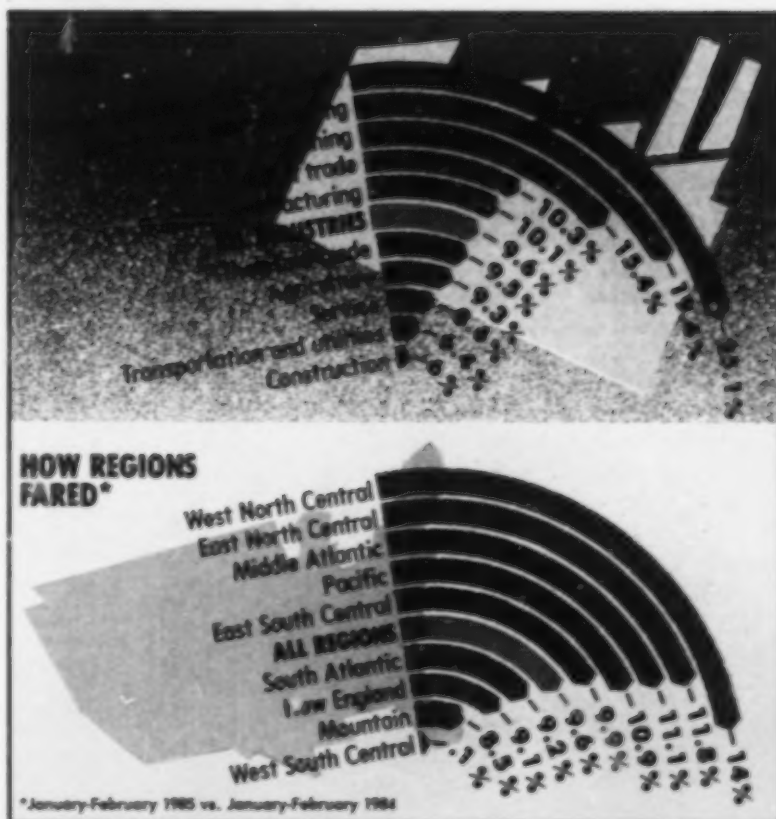
D&B data shows that in early 1985 bankruptcies dropped most in the Snow Belt and in services.

Given the rapidly increasing role of services in the American economy, Dun & Bradstreet has revised the statistical series that reports the characteristics of business failures in the U.S. The previous statistical series primarily reported commercial and industrial failures.

In addition, several new data collection and processing procedures have dramatically increased both the timeliness and detail of the series. D&B will now report the monthly incidence of failures by major industry sector, by U.S. Bureau of the Census region and by size of liabilities. Under the new system, more than 25 Standard Industrial Classification (SIC) categories—mainly services—have been added to the failure coverage.

Business failures in the first two months of 1985 decreased by 9.6% to 7,830 from 8,664 in 1984, according to the first statistics issued on the basis of the new D&B series.

Significant decreases in failures were experienced in virtually all sectors (see top). The finance, insurance and real estate sector recorded the largest drop in failures, with a decrease of 25.1%. Failures of non-durable manufacturers also decreased



sharply and mining failures fell because of fewer bankruptcies in energy-related businesses.

Geographically, the West North Central and East North Central states both recorded large decreases in failures as a result of the recoveries of key industries, particularly the auto sector (see bottom). The decrease in failures in the New England and South Atlantic

states was less dramatic because both regions had led the economic recovery and failures had already declined to more moderate levels by early last year. In contrast, the West South Central states saw virtually no decrease in failures, primarily because of continued stress in the region's petroleum sector last year, especially in Louisiana.

—JOSEPH W. DUNCAN

Joseph W. Duncan, formerly Chief Statistician of the Office of Management and Budget and Chairman of the United Nations Statistical Commission, is Corporate Economist of The Dun & Bradstreet Corp.

INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(2/28/85)		Value of \$10,000 if Invested: Month Earlier	Year Earlier
	Recent Price or Yield			
Common Stock (Index fund, capital gains and dividends reinvested)	\$21.25/share		\$10,138	\$12,943
per cent change			+1.4%	+28.4%
Bonds (30-yr., 11 1/2% Treasury Bond)				
MARKET VALUE			\$ 9,442	\$10,058
ACCUMULATED INCOME	\$ 97.31		\$ 95	\$ 1,213
TOTAL			\$ 9,537	\$11,271
per cent change			-4.6%	+12.7%
Money Market Fund	+7.82%		\$10,080	\$10,988
per cent change			+0.6%	+9.88%
Gold (Kruggerands)	\$210.75/oz.		\$ 9,749	\$ 7,421
per cent change			-2.9%	-25.78%
HOUSE PRICES	Recent	Month Earlier	Year Earlier	
Existing House	\$86,700	\$87,900	\$81,800	
per cent change		-.92%	+5.7%	
New House	\$100,100	\$94,800	\$104,100	
per cent change		+5.3%	-4.0%	

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Desk-Parera Fifth Avenue, Inc.; Federal Home Loan Bank Board.

direct broadcast satellites, Comsat has some promising new business. It reached an agreement with NBC to deliver programming to all of its affiliates through Comsat, and Cooperman expects this contract to produce \$400 million in revenues over ten years and profits some time this year.

The company also announced another \$400 million, ten-year agreement with Holiday Inns to provide voice, data and video services to its 1,500 lodging units. With other similar deals likely, Cooperman is anticipating a 10% long-term annual growth rate in earnings per share for Comsat and has increased Goldman, Sachs' earnings estimated for this year to \$4.35 a share, up from \$3.60 a share last year.

He also favors a little-known savings and loan institution, First Federal Savings Bank of California. The company is well-managed, Cooperman says, with 62% of its loan portfolio in higher-quality adjustable rate mortgages, and its scheduled loans—that is, loans that are not being paid on time—represent only eight-tenths of 1% of total assets.

"We anticipate earnings of \$3 a share this year," he says. The stock, which trades on the national over-the-counter market, sells at about 17—"a substantial discount to book value of \$30," he adds.

Among Cooperman's other recommendations that fit into his strategy are Eli Lilly, Bankers Trust, United Technologies and Tectron.

When will Cooperman (and the rest of us) hear the market's Fat Lady sing again? Perhaps, by summer, he says hopefully, "but not until we see interest rates back off or a major breakthrough on the budget deficit."

—ALAN BROMLEY

New Options with Universal Variable

As if the profusion of insurance policies wasn't confusing enough already, the industry is now singing the praises of its newest option, universal variable life—a hybrid product combining the

most popular features of universal and variable policies.

The new policy offers the flexible premium features of universal: policyholders may skip premium payments or make unscheduled, extra payments and increase or lower the death benefit amount. It also offers the investment flexibility of a variable policy: policyholders can move the cash value portion of the policy among various investment options—typically, insurance company-managed stock, bond and money market funds.

The way universal variable works is simple enough: The premium each year is divided into two parts—one pays for a fixed amount of term-like life insurance; and, the second goes into an investment account, which is the basis of the cash value of the policy. The cash value varies with the investment performance. Optimally, the policyholder enjoys the protection of life insurance and defers taxes on the investment income at the same time.

Two companies—Acacia National Life Insurance Co., Washington, D.C. and PruCo Life Insurance Co., a subsidiary of Prudential Insurance Co. of America—are marketing the new policies, and a herd of others have applications awaiting approval at the Securities and Exchange Commission. If the products offered so far are any indication, the new policies are wonderfully flexible and convenient, but these advantages do not come cheap.

As insurance, universal variable, like all forms of permanent cash buildup insurance, is expensive protection compared to the low cost of unvarnished annual-renewable term policies. Typically, term (which pays only death benefits and has no cash buildup) can be bought for about one-fourth the annual premium of permanent policies with the same face value. "If you're simply looking for the most insurance for the dollar," says Carl Wilkerson, assistant general counsel of the American Council of Life Insurance, the industry trade association, "then annual renewable term insurance might be best."

Universal variable, nonetheless, is